Committee to review Monetary System

1105. SHRI SURESH PACHOURI: Will the Minister of FINANCE be pleased to state:

(a) whether the Sukhamoy Chakravorty Committee set up by the Reserve Bank of India in December, 1982 to review the working of the monetary system has since submitted its report to Government; and

(b) if so, what are the main recommendations contained therein and which of them have been accepted by Government?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHAN POOJARI): (a) The Sukhamoy Chakravorty Committee submitted its report to the Reserve Bank of India in May, 1985;

(b) A Statement is enclosed.

Statement

The Report of the Committee to review the Working of the Monetary system has made a number of recommendations in regard to the monetary system.

The Committee is of the view that the objective of price stability should be pursued mainly through monetary policy in the short run. It has stressed the importance of close coordination between monetary policy and fiscal policy. In this connection, it has inter-alia, recommended that a proper framework for the regulation of reserve Bank credit to Government should be evolved by the R. B. I. and the Government with due regard to the impact of monetisation of debt. A revision of the yields on Government Securities and the rate of discount on Treasury Bills has been suggested in this context. In order that credit requirements of the productive sector are adequately met, the Committee has recommended that banks should have greater freedom in determining their lending rates. It is also of the view that concessional interest rates as a redistributive device should be used in a very selective manner. The Committee has stressed the importance of providing bank credit in the form of loans and bill finance instead of predominantly in the form of cash credit as at present. As regards interest rates on bank deposits, it is of the view that the latter should be positive after adjusting for inflation. It has cautioned that the monetary policy should not be dependent excessively on any single or just a few instruments of monetary regulations and has suggested that the Reserve Bank should take measures to develop an efficient money market.

The Reserve Bank of India will be taking necessary action in consultation with the Government in response to the recommendations made by the Committee.

Improvement in NTC performance

1106. SHRI SURESH PACHOURI: Will the Minister of TEXTILES be pleased to state:

(a) whether it is a fact that the National Textile Corporation has claimed all-round improvement in the first quarter of April-June, 1985;

(b) whether it is also a fact that according to them as many as 50 mills showed gross profit during August this year as compared to only 18 mills during 1984-85;

(c) if so, whether the average loss which was Rs. 7.7 crores a month during 1984-85 has come down to Rs. 1.35 crores during September, 1985;

(d) if so, what are the main reasons therefore; and

(e) what efforts are being made to further improve the NTC performance?

THE MINISTER OF STATE OF THE MINISTRY OF TEXTILES (SHRI KHURSHID ALAM KHAN): (a) During the period April-June, 1985 NTC has improved its performance in utilisation, productivity and profitabilty. The gross loss for April-June' 85 has come down by Rs. 5.79 crores per

month in the case of nationalised mills and by Rs. 1.07 crores per month in the case of managed units, as compared to the average losses of 1984-85.

(b) In August, 1985, 52 mills have made gross profits as compared to 21 mills which made gross profits during the year 1984-85.

(c) The average monthly gross losses of nationalised mills has come down to Rs. 2.64 crores in September '85 as compared to Rs. 7.99 crores during the year 1984-85. In the case of managed mills, the average monthly gross losses has come down to Rs. 1.7 crores in September '85 as compared to Rs. 2.11 crores during the year 1984-85.

(d) NTC has been able to reduce its losses because of reduction in cotton prices better management product development reduction of over manning and improved work culture.

(e) Some of the important steps taken/being taken, within the limited resources, to improve the performance of the mills under NTC are as under:—

(i) arrangements are being made for timely procurement of cotton from different available channels;

(ii) woking capital has been replenished to make up for cash losses;

(iii) to overcome the power shortage self-generating capacity, has been provided;

(iv) selective modernisation programme have been adopted for result-oriented gains; for best utilisation of limited resources;

(v) cost control methods have been introduced for reduction in cost of production at all levels;

(vi) efforts are being made for reducing the non-operational administrative expenses;

(vii) workers' participation scheme in the management scheme is being encouraged to achieve higher productivity;

(viii) The performance of NTC is being monitored closely to reduce costs improve efficiency and quality.

Bank fraud in SBI Branch at Podalakuru in Nellore District (Andhra Pradesh)

1107. SHRI SURESH PACHOURI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that a major bank fraud involving Rs. 95.83 lakhs has been detected at the State Bank of India branch at Podalakuru in Nellore district of Andhra Pradesh;

(b) whether any inquiry has been conducted into the matter;

(c) if so, what are the findings thereof;

(d) what action has been taken on the basis of the inquiry; and

(e) what is the total number of bank frauds unearthed during September—November, 1985?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHAN POOJARI): (a) to (d) State Bank of India has reported that the Branch Manager, Podalakudu Agricultural Development branch of the State Bank of India had sanctioned 753 over draft for an aggregate of Rs. 95.83 lakhs to farmers spread over 23 villages. Preliminary investigations have revealed that these overdrafts were granted only to such of the ryots who were entitled to compensation for their land/houses which are likely to be submerged under the "Telugu Ganga' Project. It was further revealed that these farmers wanted to rehabilitate themselves by acquiring assets elsewhere and seek alternative economic activities in anticipation of steep rise in prices when the Government pays sizeable amounts by way of compensation in the area at a time. The Branch Manager provided finanace to them on the promise that they would deposit with the bank compensation